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# **LOCAL, SMALL AND DISADVANTAGED BUSINESS OPPORTUNITY DEVELOPMENT REPORT**

**Volume 1**

**Submitted to:**

**Mayor Anthony A. Williams**

**Prepared by:**

**The Mayor's Task Force  
On  
Local, Small and Disadvantaged Business  
Opportunity Development**

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## ***EXECUTIVE SUMMARY***

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## Introduction

On March 19, 2002, The Mayor of the District of Columbia, Anthony A. Williams, issued Executive Order 2002-62 to establish and appoint a task force to study how the Government of the District of Columbia develops, strengthens, advances and retains local, small and disadvantaged business enterprises (LSDBEs). The Mayor created the Task Force to help the District identify strategies, processes, practices, and systems to better leverage the universe of LSDBEs in the District of Columbia. To accomplish its mission, the Task Force was divided into four Subgroups:

- ◆ Advancing
- ◆ Procurement
- ◆ Technical Support and Business Assistance
- ◆ Compliance and Enforcement

This Report presents the Task Force's assessment of the current status of programs to support LSDBEs in the District of Columbia and offers recommendations to strengthen the program based on feedback from stakeholders, best practices, and an analysis of information about utilization, processes, systems, roles and responsibilities, and legislation.

## The Business Case

In general, given the importance of small business to the economic-base of the District and to its renaissance in real estate and neighborhood development, it is incumbent upon the District government to better understand the contributions that LSDBEs make to the District's operations, the City's tax-base, its neighborhoods, and the tourist trade.

Many people believe that procurement programs to promote and support LSDBEs exist solely for social reasons and that the procuring organization or community at large receive no benefit from LSDBEs. Empirical data have shown that small businesses have been a key source of product and service innovations, new delivery mechanisms, and job creation. While large corporate dollars certainly influence economic development, policy-makers and business leaders cannot ignore the benefit of having local business dollars circulate locally multiple times, where the money is earned.

## The LSDBE Program

As a result of a discrimination study and a Court of Appeals decision, the Council of the District of Columbia enacted DC Law 12-268, the "Equal Opportunity for Local, Small, and Disadvantaged Business Enterprise Act" in 1992. The Act created the LSDBE certification pro-



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gram, which is designed to build the capacity of LSDBEs and to stimulate economic development in the District of Columbia. Management of the LSDBE program involves a number of entities – the Office of Local Business Development (OLBD), the Office of Contracting and Procurement (OCP), the Local Business Opportunity Commission (LBOC), and District agencies. The primary legislative mandate rests with OLBD. DC Code. Sec. 2-1205.3 sets forth the following responsibilities of OLBD:

- ◆ Educational and promotional activities
- ◆ Certification administration
- ◆ Advocacy
- ◆ Oversight of procurement and utilization
- ◆ Compliance and enforcement

## **The Six Pillars of Success**

The District of Columbia’s OLBD has been given an important mandate – to ensure that LSDBEs are full participants in the contracting process that procures goods and services for the District’s agencies, using expendable budget dollars. Taken at face value, this may seem to be just a numbers issue – monitoring and enforcing the percent participation commitments and reporting requirements mandated by DC Law 12-268 “Equal Opportunity for Local, Small and Disadvantaged Business Enterprise Act.” In fact, however, it is an enormously intricate and broad-based mandate, one whose success relies upon the efficient and effective management of a complex web of interdependent constituencies supported by extensive cooperation, communication, collaboration, and coordination.

A successful LSDBE program must be founded on the following six pillars – see Exhibit 3.1.

- ◆ Strategic direction, strong leadership and collective will
- ◆ Effective structure of functions and systems, including communications mechanisms
- ◆ Identification and certification of LSDBEs
- ◆ Widespread utilization of the participant pool
- ◆ Vigorous advocacy
- ◆ Enforcement of program mandates

For the District’s LSDBE program to achieve maximum success, it must include all of these elements in a fully integrated plan. Because of their interrelatedness and interdependency, a weakness in any one of these pillars can significantly hinder the success of the entire program.

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## **Findings**

The Task Force found enhancement opportunities in all six of these areas within the District's LSDBE program. As a result, the current Administration is presented with significant opportunities to further enhance the effectiveness and performance of the program. The key findings in each of the six success areas are presented below.

### **Strategic Direction**

- ◆ There is confusion and a lack of understanding around the specific mission and purpose of the program.
- ◆ Efforts to communicate the desired outcomes for the LSDBE program to the stakeholders have not been successful.
- ◆ The true measures of the program's success are not well defined.
- ◆ Lack of clarity and understanding of program goals and objectives has resulted in differing expectations and negative perceptions.
- ◆ Too often the program seems to be little more than a set of numbers that must be reached rather than a dynamic, coordinated program to develop and grow LSDBEs into full participants in the contracting process.

### **Structure of Functions and Systems**

- ◆ There is no strong program implementation link between the LSDBE program requirements and the actual procurement of goods and services.
- ◆ Although mandated and provided the authority to "review agency procurement plans," OLBD is frequently not part of this most basic procurement planning process.
- ◆ Exacerbating the communication and collaboration process between OLBD and the procuring agencies is a manual OCP procurement system, multiple yet disparate communication and application technologies, and poorly defined measurement and data collection criteria.

### **Identification and Certification**

- ◆ The process often takes too long and applications presented to LBOC are often incomplete.
- ◆ The process accounts for too much of OLBD staff time.
- ◆ Information contained in the LSDBE database maintained by OLBD is not always useful or timely.
- ◆ There is concern about the business capacity of some of the certified LSDBEs.

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- ◆ The base of certified LSDBEs is too small.
  - ◆ There are often no, or not enough, certified LSDBEs in the National Institute of Government Purchasing (NIGP) codes under which goods and services need to be procured.

### **Utilization**

- ◆ Before broader LSDBE program advocacy can occur within the District government, agency directors and senior procurement officials must be given the training needed to serve as advocates, and they must be held accountable for upholding the program's legislative mandate.
- ◆ There is a perception that there are not enough certified LSDBEs with the capacity and capabilities to meet procurement needs.
- ◆ The LSDBE database would be significantly more useful, and procurement officials would find it easier to identify qualified LSDBEs, if the database contained performance evaluation and measurement of LSDBEs.
- ◆ There is a lack of financial and educational information assistance being provided to LSDBEs to facilitate capacity building.
- ◆ There is concern about the business capacity and capabilities of many of the certified LSDBEs.
- ◆ While there are a number of programs and facilities in the District that provide small business educational and assistance opportunities, there is neither an existing comprehensive inventory of the available programs, a comprehensive strategy on how to use these services, nor the organizational leadership to deliver this help to LSDBEs in a coordinated fashion.
- ◆ There is no central or convenient way in which LSDBEs can learn of contracting opportunities on a timely basis.

### **Advocacy**

- ◆ A significant gap exists between expectations and service delivery.
- ◆ Stakeholders expect a level of program advocacy that is far greater than that which is currently being provided by OLBD.
- ◆ OLBD has focused more of its limited resources on its role as LSDBE program regulator than on its role as program advocate.
- ◆ OLBD is often not part of the procurement planning review process where contract set-asides for LSDBEs are determined.
- ◆ OLBD does not promote its procurement success stories or its "best-in-class" LSDBEs.

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## **Enforcement of Program Mandates**

- ◆ There are no comprehensive administrative and program management methodologies in place to ensure effective reporting of procurement data by all agencies of the District government.
- ◆ Procurement partners' management information systems are incompatible.
- ◆ There is a lack of clarity and specificity around key success measures.
- ◆ There is an absence of data elements specific to the LSDBE program, such as National Industrial Government Policies (NIGP) commodity codes and LSDBE certification, in the various procurement process partners' databases.
- ◆ OLBD is unable to create a reliable District-wide report that summarizes LSDBE activity in a comprehensive, yet simplified, manner.

## **Best Practices**

As part of its data collection efforts, the Task Force looked to agencies and organizations in other jurisdictions that are tasked to do many of the same OLBD required tasks in support of similar programs. This research provided an opportunity to test hypotheses and identify potential solutions to some of the issues and opportunities that emerged from the Task Force's qualitative research.

The research on best practices suggests that there are effective practices, programs and functions being applied in other jurisdictions and organizations that, if appropriately applied in the District, could augment the effectiveness and efficiency of the District's LSDBE program. Specific elements for consideration include:

- ◆ Broaden the way that the District approaches advocacy efforts – including policy research and the proactive investigation of proposed legislation, regulations, and other factors that could impact LSDBEs.
- ◆ Establish “advocates” within each agency – including independent agencies. On-site advocates can carry the mission of OLBD directly to the agencies and more effectively work with agencies to incorporate LSDBEs into the purchasing process.
- ◆ Institute an ombudsman position to act as an intermediary between LSDBEs, agencies, and procurement in resolving disputes and concerns.
- ◆ Recognize and publicize the successes of District agencies that make a significant effort to promote the program and use LSDBEs.
- ◆ Proactively recruit new LSDBEs to be certified, particularly in areas where there are only one or two certified LSDBE entities.

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- ◆ Move the LSDBE certification process to OCP in an effort to centralize similar functions and simplify the process for applicants.
  - ◆ Explore how business incubators and the One-Stop Capital Shops can be incorporated into future small business development programs within the Office of the Deputy Mayor for Planning and Economic Development.
  - ◆ Use technology to communicate LSDBE capacity, successes, and qualifications. Provide a one-stop electronic repository of information and data required to participate in the program.

## **Recommendations**

Supporting local, small and disadvantaged business enterprises makes good business sense and is good public policy. They contribute to the City's tax-base, expand employment opportunities, invest in the District, and generate needed products and services. To help the District strengthen its LSDBE program, the Task Force has used feedback from stakeholders, the review of available quantitative data, and the lessons learned from the research on best practices to develop a set of recommendations designed to move the program to the next level of effectiveness. The recommendations are presented category specific, and are listed below:

### **Strategic Direction**

- ◆ To address misperceptions of the program within and outside of District government and to clarify objectives and foster accountability, appropriate leaders need to convene, articulate, and revalidate program objectives; and develop success measures clearly linked to the desired outcomes.
- ◆ As part of this process, a tactical plan should be developed that prioritizes next steps and provides a roadmap to strengthen the program and to move it forward.

### **Structure, Functions, Systems, and Communication Mechanisms**

- ◆ OCP should reengineer its processes and continue with its plans to implement an integrated, automated procurement system.
- ◆ OCP, OLBD, and LBOC should work together to conduct a requirements analysis of the information needed from the new procurement system. This should be done to insure that the new system is able to produce required LSDBE reports and data.
- ◆ LSDBE specialists should be deployed within each agency to facilitate communication, promote the program, and heighten agency-level accountability.
- ◆ OLBD's staffing should be increased by four FTEs to enable the office to better meet its expanded advocacy mission.

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## **Identification and Certification**

- ◆ Use other established certifying organizations for the certification of specified LSDBEs (e.g., U.S. Small Business Administration (SBA), the National Minority Supplier Development Council (NMSDC), and develop Memoranda of Understanding (MOUs) with those organizations to expedite LSDBE certifications.
- ◆ Increase the revenue ceiling from \$23 million to \$35 million for small local businesses.
- ◆ Assess the District's current spending patterns to understand the types of firms needed.
- ◆ Move the LSDBE certification and re-certification process from OLBD to OCP.

## **Utilization**

- ◆ OLBD should create a clearinghouse of information concerning services available to LSDBEs.
- ◆ OLBD should contract with an organization or consortium of business training providers to deliver business assistance and technical support to certified LSDBEs and LSDBE applicants.
- ◆ OLBD, LBOC and OCP should create an LSDBE capabilities assessment program to determine business readiness for new applicants and, where warranted, refer applicants for appropriate business training and counseling prior to award of full certification.
- ◆ The District should reconsider plans to create a business resource center within OLBD and, instead, concentrate resources on expanding the District's Department of Employment Services (DOES) and Howard University's Small Business Development Center (HUSBDC) business resource center to model a One-Stop Capital Shop.
- ◆ The District should expand the existing DOES and HUSBDC incubator program by creating a small business incubator pilot project for certified construction firms, funded with public and private resources.
- ◆ OLBD should provide, through coordination of external service providers, information on how to obtain financing, how to prepare firms to attract capital, what sources of capital exist, and what are the various financial products.
- ◆ The District should promote the Department of Banking and Financial Institutions' (DBFI) efforts to continue partnering with financial institutions to ensure community reinvestment, community development, and to promote more lending opportunities for DC businesses.
- ◆ The District should establish a two-tier local business opportunity program that distinguishes large local businesses from small local businesses.
- ◆ The District should establish a formal early warning scan of upcoming procurement activities to allow LSDBEs to be identified, and where non-certified LSDBEs exist, consider fast tracking the certification process.

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## **Advocacy**

- ◆ Establish an annual leadership recognition program to honor agency leadership in LSDBE contracting, and highlight LSDBE successes.
- ◆ Include a component on LSDBEs in the Management Supervisory Services training program to educate and train key government officials about the LSDBE program.
- ◆ Identify a senior-level LSDBE officer with sign-off authority over all agency solicitations of \$75,000 or more for each of the three Deputy Mayor clusters of agencies.
- ◆ Amend current law to expand OLBD'S advocacy role. Fund advocacy function at four FTEs and an additional budget appropriation of approximately \$600,000.
- ◆ Convene an annual public hearing to solicit comments and suggestions from LSDBEs and review agencies' LSDBE utilization reports.
- ◆ Provide an e-mail notification system of small purchase notices and procurement alerts for all government solicitations. Link the OLBD web-site to that of OCP and agencies with independent buying authority.

## **Enforcement**

- ◆ Include a liquidated damages provision, if permitted, in all future Industrial Revenue Bond (IRB) contracts and private sector MOUs for failure to meet LSDBE goals.
- ◆ Include stronger LSDBE compliance language in all Request for Proposals (RFPs) and Requests for Quotes (RFQs).
- ◆ OLBD should contract its compliance monitoring and reporting functions out to the private sector.
- ◆ The Office of the Chief Technology Officer should work with OLBD and OCP to assess management reporting information requirements and ensure that the new procurement system can produce required reports and incorporate all LSDBE data requirements.
- ◆ Establish vendor performance database to track performance of all vendors doing business with the District of Columbia.

## **Next Steps**

To maintain the momentum the Task Force has generated, District leaders must act quickly to move forward with the proposed recommendations. The suggested tactical plan should provide an integrated roadmap that specifies timeframes for completion and the parties responsible for given activities. The Task Force suggests that the Mayor convene a meeting of key agency managers, policy representatives of the Mayor's Office, City Councilmembers or their designees, and at a minimum the Task Force's Subgroup leaders. This group should work to prioritize the recommendations as an immediate next step and begin drafting policy and legislation to implement the recommendations. The ultimate demonstration of commitment is action.